RECORDATION NO. 22321-B

AUG 19 '99 11-20AM

ALVORD AND ALVORD
ATTORNEYS AT LAW
918 SIXTEENTH STREET, N.W.
SUITE 200
WASHINGTON, D.C.
20006-2973

(202) 393-2266
FAX (202) 393-2156

ELIAS C. ALVORD (1942)
ELLSWORTH C. ALVORD (1964)

OF COUNSEL
URBAN A. LESTER

August 19, 1999

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
Washington, D.C. 20423

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a) are three (3) copies of a Security Agreement, dated as of August 17, 1999, a primary document as defined in the Board's Rules for the Recordation of Documents.

The names and addresses of the parties to the enclosed document are:

Borrower: Tube City, Inc.
12 Monongahela Avenue
Glassport, PA 15045

Secured Party: Heller Financial, Inc.
500 West Monroe Street
Chicago, IL 60661

A description of the railroad equipment covered by the enclosed document is:

set forth on Schedule 1 attached to the Security Agreement

Also enclosed is a check in the amount of $26.00 payable to the order of the Surface Transportation Board covering the required recordation fee.

Kindly return stamped copies of the enclosed document to the undersigned.

Very truly yours,

Robert W. Alvord

RWA/bg
Enclosures

RECORDATION NO. 22321 FILED

AUG 19 '99 11-20AM

SECURITY AGREEMENT

dated as of August 17, 1999

between

TUBE CITY, INC.,

as Borrower,

and

HELLER FINANCIAL, INC., as Agent,

as Secured Party

TABLE OF CONTENTS

Page

ARTICLE I - DEFINITIONS 1

Section 1.01 Definitions 1

ARTICLE II - SECURITY 1

Section 2.01 Railcar Equipment. 1

Section 2.02 Assigned Leases. 2

Section 2.03 Security. 2

Section 2.04 Continued Priority of Security Interest. 2

Section 2.05 Maintenance of Status of Security Interest. 2

Section 2.06 Authorized Action. 3

Section 2.07 Borrower Remains Obligated, Secured Party Not Obligated. 3

ARTICLE III - COVENANTS OF BORROWER 3

Section 3.01 Payment of Indebtedness. 3

Section 3.02 No Other Encumbrances. 3

Section 3.03 Performance of Assigned Leases. 4

Section 3.04 Prepayment in Case of Event of Loss. 4

Section 3.05 Information. 4

Section 3.06 Indemnity. 4

ARTICLE IV - MAINTENANCE, USE AND OPERATION, INSPECTION: REGISTRATION MARKS 5

Section 4.01 Maintenance. 5

Section 4.02 Use and Operation 5

Section 4.03 Inspection. 5

Section 4.04 Registration Marks. 5

Section 4.05 Prohibition Against Certain Designations. 5

Section 4.06 Environmental Law 6

ARTICLE V - ALTERATIONS MODIFICATIONS AND ADDITIONS 6

Section 5.01 Replacement of Parts. 6

Section 5.02 Alterations, Modifications and Additions. 6

ARTICLE VI - INSURANCE 6

ARTICLE VII - EVENT OF DEFAULT; REMEDIES 7

Section 7.01 Event of Default. 7

Section 7.02 Remedies. 7

Section 7.03 Power of Attorney - Sale 8

Section 7.04 Remedies Cumulative. 8

Section 7.05 Discontinuance of Proceedings. 9

ARTICLE VIII - MISCELLANEOUS 9

Section 8.01 Further Documents 9

Section 8.02 Notices. 9

Section 8.03 Choice of Law. 10

Section 8.04 Severability of Provisions. 10

Section 8.05 Amendment. 10

Section 8.06 Counterparts. 10

Section 8.07 Section Headings. 10

Section 8.08 Binding Effect. 10

Section 8.09 Release and Termination 10

SCHEDULE 1 Description of Railcar Equipment

SECURITY AGREEMENT

SECURITY AGREEMENT, dated as of August 17, 1999, between TUBE CITY, INC., a Delaware corporation ("**Borrower**"), and HELLER FINANCIAL, INC., as Agent under the Loan and Security Agreement referred to below (together with its successors and assigns in such capacity, "**Secured Party**").

RECITALS:

WHEREAS, Borrower, the lenders from time to time party thereto ("**Lenders**") and Secured Party are parties to a Loan and Security Agreement dated as of August 17, 1999 (as the same may be amended or otherwise modified from to time, the "**Loan Agreement**"); and

WHEREAS, Secured Party and Lenders require, as a condition to the extension of credit under the Loan Agreement that Borrower execute and deliver this Security Agreement as security for its obligations under the Loan Agreement;

NOW, THEREFORE, in consideration of the premises contained herein and for other good and valuable consideration, receipt of which is hereby acknowledged, the parties hereto agree and covenant as follows:

ARTICLE I - DEFINITIONS

Section 1.01 Definitions.

All capitalized terms used herein without definition are used as defined in the Loan Agreement.

"**Encumbrance**" means any mortgage, assignment, transfer by way of security, charge (whether fixed or floating), pledge, lien, trust arrangement, title retention, security interest, hypothecation or other encumbrance securing, or any right conferring a priority of payment in respect of, any obligation of any person.

"**Obligations**" has the meaning given to such term in the Loan Agreement.

ARTICLE II - SECURITY

Section 2.01 Railcar Equipment.

In consideration of the making of the Loans and other extensions of credit by Secured Party and Lenders under the Loan Agreement and to secure the payment of all Obligations, Borrower as owner does hereby sell, assign, charge, transfer, mortgage, and set over unto, and grant a security interest in favor of, Secured Party, for the benefit of Secured Party and Lenders, all right, title and interest of Borrower under, in and to the locomotives

and railcars described on Schedule 1 ("**Railcar Equipment**"), and all of Borrower's rights and privileges with respect thereto, whether now owned or hereafter acquired and wherever located, including, without limitation, all parts, additions, alterations or modifications thereto or replacements of any part thereof, whenever made or performed or acquired, and all removed parts until replaced, and any proceeds of the foregoing. Notwithstanding the foregoing, Borrower is not granting Agent a security interest, lien or mortgage or transferring any other interest to Agent in railcars that it leases from any Person.

Section 2.02 Assigned Leases.

In further consideration of the making of the Loans and other extensions of credit by Secured Party and Lenders under the Loan Agreement and to secure the payment of all Obligations, Borrower does hereby sell, assign, charge, transfer, mortgage, and set over unto, and grant a security interest in favor of, Secured Party, for the benefit of Secured Party and Lenders, all right, title and interest of Borrower under, in and to: (i) any lease relating to any of the Railcar Equipment whether or not such lease is in writing or is for a term certain or is a per diem lease, now or hereafter existing (each such lease, an "**Assigned Lease**"), (ii) any and all payments due or to become due to Borrower under any Assigned Lease, whether as contractual obligations, damages or otherwise, and (iii) all proceeds of any of the foregoing. Notwithstanding the foregoing, Borrower is not granting Agent a security interest, lien or mortgage or transferring any other interest to Agent in railcars that it leases from any Person.

Section 2.03 Security.

The interests granted in Sections 2.01 and 2.02 are collectively referred to herein as "**Collateral**" and shall constitute Collateral for all purposes as such term is defined in the Loan Agreement.

Section 2.04 Continued Priority of Security Interest.

Borrower agrees that it will not, without the prior written consent of Secured Party, create or suffer to exist any Encumbrance upon or in the Collateral or any part thereof, except for those permitted by the Loan Agreement.

Section 2.05 Maintenance of Status of Security Interest.

Borrower shall take all action that may necessary or desirable, or that Secured Party reasonably may request, so as at all times (a) to grant the security interest having first priority in the Collateral intended to be granted hereby and to maintain the validity, enforceability, perfection and priority of the security interest in the Collateral, (b) to protect or preserve the Collateral and (c) to protect, preserve, exercise or enforce the rights of Secured Party therein and hereunder and under the Loan Agreement, including but not limited to (1) immediately discharging all Encumbrances other than Permitted Encumbrances, (2) executing and delivering Uniform Commercial Code financing statements, continuation statements, notices, instructions and assignments, in each case in

form and substance reasonably satisfactory to Secured Party and not inconsistent with the terms hereof, and (3) executing and delivering such instruments and documents as may be requested by Secured Party in connection with filing, recording and depositing this Security Agreement with the Surface Transportation Board in conformity with 49 U.S.C. § 11303.

Section 2.06 Authorized Action.

Secured Party is hereby appointed attorney-in-fact of Borrower and is authorized to file one or more Uniform Commercial Code financing or continuation statements (including statements of assignment and renewals thereof) or amendments thereto or as may be appropriate to maintain any filing with the Surface Transportation Board without the signature of or in the name of Borrower. Secured Party will only take action as Borrower's attorney-in-fact if Borrower fails to promptly take such action upon the Secured Party's request.

Section 2.07 Borrower Remains Obligated, Secured Party Not Obligated.

The grant by Borrower to Secured Party of the security interests granted hereby shall not relieve Borrower from the performance of any term, covenant, condition or agreement on its part to be performed or observed, or from any liability to any person, under or in respect of any of the Collateral or impose any obligation on Secured Party to perform or observe any such term, covenant, condition or agreement on Borrower's part to be so performed or observed or impose any liability on Secured Party for any act or omission on the part of Borrower relating thereto.

ARTICLE III - COVENANTS OF BORROWER

Section 3.01 Payment of Indebtedness.

Borrower will pay or cause to be paid all amounts due under the Loan Agreement and will observe, perform and comply with the covenants, terms and conditions herein and in the Loan Agreement, express or implied, on its part to be observed, performed or complied with.

Section 3.02 No Other Encumbrances.

Except with respect to the ACS Subordinated Debt, Borrower will not without the prior written consent of Secured Party mortgage or create a security interest in the Railcar Equipment or the other Collateral, and any such written consent to any one mortgage or security interest shall not be construed to be a waiver of this provision with respect to any subsequent proposed mortgage or security interest. Borrower may only sell Railcar Equipment to the extent permitted by the Loan Agreement.

Section 3.03 Performance of Assigned Leases.

Borrower will fully perform any and all of its obligations under each Assigned Lease in accordance with the provisions thereof and will promptly notify Secured Party of any claim by any lessee of nonperformance thereunder by Borrower. Borrower will not amend, modify or supplement any of the terms of the Assigned Leases without the prior written consent of Secured Party, which shall not be unreasonably withheld or delayed.

Section 3.04 Prepayment in Case of Event of Loss.

In the event of any Railcar Equipment is destroyed beyond economic repair, then and in each such case Borrower promptly shall give notice to Secured Party of such destruction and the proceeds of insurance payable with respect to such Railcar Equipment, to the extent required by the Loan Agreement, shall be applied to the Obligations in the manner specified by the Loan Agreement.

Section 3.05 Information.

Borrower shall furnish to Secured Party such information with respect to the Collateral as Secured Party reasonably may request from time to time, including, without limitation, location reports and information relating to the condition of any Railcar Equipment.

Section 3.06 Indemnity.

Borrower agrees to indemnify, protect and hold Secured Party harmless from and against all losses, damages, injuries, obligations, liabilities, claims, suits, demands, penalties, interest and expenses (including, without limitation, fees and disbursements of counsel to Secured Party) (all of the foregoing losses, damages, etc., collectively, the **"indemnified liabilities"**) arising out of, or resulting from the execution, delivery or performance of, this Security Agreement, the security interests granted hereby, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or repossession of any Railcar Equipment, including any claim for personal injury or property damage arising from the operation, use, condition, possession, storage or repossession of any Railcar Equipment; provided that Borrower shall have no obligation to so indemnify Secured Party for any indemnified liabilities arising from Secured Party's willful misconduct or gross negligence as determined by a court of competent jurisdiction. The covenants contained in this Section 3.06 shall survive payment or other satisfaction of the obligations of Borrower under the Loan Agreement and termination of this Security Agreement.

ARTICLE IV - MAINTENANCE, USE AND OPERATION, INSPECTION: REGISTRATION MARKS

Section 4.01 Maintenance.

Borrower, at its sole cost and expense (whether or not applicable insurance proceeds are adequate for the purpose), shall cause (i) the use of the Railcar Equipment only in the manner for which it was designed and intended and uses incidental thereto and so as to subject it only to ordinary wear and tear, and (ii) the maintenance and refurbishment of the Railcar Equipment, so as to keep it in as good operating condition, order and repair as when delivered to Borrower, ordinary wear and tear excepted and in compliance in all material respects with all applicable laws, regulations and orders of any governmental authority having jurisdiction with respect thereto.

Section 4.02 Use and Operation.

So long as no Event of Default shall occur and be continuing, Borrower shall have the full use of the Railcar Equipment subject to the terms of this Security Agreement; provided, however, that Borrower covenants and agrees that it will not permit the Railcar Equipment to be incorporated or installed in or attached to any building or real property in such manner as to become part of or subject to any Encumbrances on such building or real property or so as to preclude the removal thereof without material injury to the Railcar Equipment (it being the intention of the parties that the Railcar Equipment is, and shall be and remain, personal property for all purposes of the Uniform Commercial Code).

Section 4.03 Inspection.

To the extent permitted pursuant to the relevant Assigned Lease, Borrower shall permit representatives of Secured Party at any reasonable time, on reasonable notice, to inspect any Railcar Equipment, provided that any such inspection will not materially interfere with the normal use of the Railcar Equipment.

Section 4.04 Registration Marks.

Borrower will not permit the change of the car mark or road number of any Railcar Equipment without the prior written consent of Secured Party, which consent will not be unreasonably withheld or delayed.

Section 4.05 Prohibition Against Certain Designations.

Borrower will not allow the name of any person, association or corporation to be placed on any Railcar Equipment as a designation that might be interpreted as a claim of ownership.

Section 4.06 Environmental Law.

Borrower shall ensure, and shall cause each other person who controls or operates any Railcar Equipment to ensure, that their respective operations and the Railcar Equipment are and remain in compliance with all applicable federal, state or other environmental laws in all material respects and shall obtain and maintain, and cause each other such person to obtain and maintain, any and all material permits, licenses or authorizations required by applicable environmental law in connection with the operations of any of the Railcar Equipment.

ARTICLE V - ALTERATIONS MODIFICATIONS AND ADDITIONS

Section 5.01 Replacement of Parts.

Borrower, at its cost and expense, will promptly replace all parts which may from time to time become worn out, lost, destroyed, seized, damaged beyond repair or permanently rendered unfit for use for any reason whatsoever. All parts at any time removed from the Railcar Equipment shall remain subject to the security interests granted herein until such time as such parts shall be replaced by parts which meet the requirements for replacement parts specified below. All replacement parts incorporated or installed in or attached to any piece of Railcar Equipment as provided by this Section 5.01 shall, without necessity of further act, become part of such piece of Railcar Equipment for all purposes hereof and subject to the security interests granted herein.

Section 5.02 Alterations, Modifications and Additions.

Borrower, at its expense, will make such alterations and modifications in and additions to the Railcar Equipment as may be required from time to time by applicable law or any relevant governmental authority or as may be deemed necessary from time to time by Borrower for the purpose of the safe operation of the Railcar Equipment (any such alteration, modification or addition as may be so required or so deemed necessary being herein called a "**Required Modification**"). In addition, Borrower, at its sole expense, may from time to time make such other alterations and modifications in and additions to the Railcar Equipment as Borrower may deem desirable in the proper conduct of its business (any such alteration, modification or addition as may be so deemed desirable being herein called an "**Optional Modification**"). All parts incorporated or installed in or attached to any piece of Railcar Equipment as a result of any Required Modification or Optional Modification shall, without necessity of further act, become part of such piece of Railcar Equipment for all purposes hereof and subject to the security interests granted herein.

ARTICLE VI - INSURANCE

Borrower shall comply with the requirements of subsection 4.17 of the Loan Agreement with respect to the Railcar Equipment.

ARTICLE VII- EVENT OF DEFAULT; REMEDIES

Section 7.01 Event of Default.

The occurrence of any Event of Default under the Loan Agreement shall constitute an event of default hereunder.

Section 7.02 Remedies.

Upon the occurrence and continuance of an Event of Default, the Security constituted by this Security Agreement becomes immediately enforceable and, without limitation, Secured Party shall have the following remedies:

(a) To the extent not prohibited by applicable law, Secured Party may exercise, in addition to all other rights and remedies granted to it in this Security Agreement and in any other instrument or agreement securing, evidencing or relating to the Obligations, all rights and remedies of a secured party under the Uniform Commercial Code of any jurisdiction and under any other applicable law. Without limiting the generality of the foregoing, Borrower expressly agrees that in any such event Secured Party, without demand of performance or other demand, advertisement or notice of any kind (except the notice specified below of time and place of public or private sale) to or upon Borrower or any other person (all and each of which demands, advertisements and/or notices are hereby expressly waived) may, itself or by agents or attorneys, take immediate possession of the Collateral, or any portion thereof, and for that purpose may pursue the same wherever it may be found, and may enter any of the premises of Borrower, with or without notice, demand, process of law or legal procedure, if such can be done without breach of the peace, and search for, take possession, remove, keep and store the Collateral, or use and operate or lease the Collateral until sold and may forthwith collect, receive, appropriate and realize upon the Security or any part thereof and may take possession of the Collateral and/or may sell or otherwise dispose of the Collateral as set forth in subsection 7.02(b) hereof;

(b) Secured Party may forthwith sell, assign, give option or options to purchase, or sell, lease or otherwise dispose of and deliver the Collateral, or any part thereof, in any manner permitted by applicable law (or contract to do so) in one or more parcels at public or private sale or sales, at the office of any broker or at any of Secured Party's offices or elsewhere at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk, with the right of Secured Party upon any such sale or sales, public or private, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in Borrower (or any person claiming by or through Borrower the Collateral, or any part thereof, so sold), which right or equity of redemption is hereby expressly waived or released, to the extent permitted by applicable law. If any notification of intended disposition of any of the Collateral is required by law, such notification shall be deemed reasonably and properly given if mailed at least 10 days before such disposition, postage prepaid, addressed to Borrower at its address set forth in the Loan Agreement. Borrower further agrees, at Secured Party's request, to collect and make available to Secured Party the Railcar Equipment as hereinafter provided. Any Collateral

repossessed by Secured Party under or pursuant to this subsection 7.02(b) may be sold, leased or otherwise disposed of under one or more contracts or as an entirety, and without the necessity of gathering at the place of sale the property to be sold, in the condition in which the same existed when taken by Secured Party or after any overhaul or repair and in general in such manner, at such time or times, at such place or places and on such terms as Secured Party may, in compliance with any applicable law, determine to be commercially reasonable. To the extent permitted by any applicable law, Secured Party may itself bid for and become the purchaser of the Collateral Security or any part thereof offered for sale in accordance with this subsection 7.02(b) without accountability to Borrower (except to the extent of any surplus received, as hereinafter provided). In case of any such sale, Secured Party, if it is the purchaser, shall be entitled, for the purpose of making settlement or payment for the property purchased, to use and apply towards the Obligations the sums payable out of the net proceeds of such sale to Secured Party after allowing for the costs and expense of sale and other charges. If, under any applicable law, Secured Party shall be required to make disposition of the Collateral within a period of time that does not permit the giving of notice to Borrower as hereinabove specified, Secured Party need give Borrower only such notice of disposition as shall be reasonably practicable in view of any applicable law. Any sale, whether under any power of sale hereby given or by virtue of judicial proceedings, shall operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of Borrower in and to the Collateral sold and shall be a perpetual bar, both at law and in equity, against Borrower, its successors and assigns, and against any and all persons claiming the property sold, or any part thereof under, by or through Borrower, its successors or assigns. Secured Party may proceed to protect and enforce this Security Agreement by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted, or for foreclosure hereunder, or for the appointment of a receiver or receivers for the Collateral of any part thereof, for the recovery of judgment for the indebtedness hereby secured or for the enforcement of any other legal or equitable remedy available under applicable law.

Section 7.03 Power of Attorney - Sale.

Secured Party is hereby irrevocably appointed attorney-in-fact of Borrower upon any Event of Default having occurred and be continuing to execute and deliver to any purchaser aforesaid, and is hereby vested with full power and authority to make, in the name and in behalf of Borrower, a good conveyance of the title to the Collateral so sold. Any person dealing with Secured Party or its attorney-in-fact shall not be put on inquiry as to whether the power of attorney contained herein has become exercisable. In the event of any sale of any of the Collateral, under any power herein contained, Borrower will, if and when required by Secured Party, execute such form of conveyance of the Collateral as Secured Party may direct or approve.

Section 7.04 Remedies Cumulative.

Each and every power and remedy given to Secured Party in this Agreement shall be cumulative and shall be in addition to every other power and remedy herein given or

now or hereafter existing at law, in equity or by statute, and each and every power and remedy whether herein given or otherwise existing may be exercised from time to time and as often and in such order as may be deemed expedient by Secured Party, and the exercise or the beginning of the exercise of any power or remedy shall not be construed to be a waiver of the right to exercise at the same time or thereafter any other power or remedy. Secured Party shall not be required or bound to enforce any other of its rights under the Loan Agreement prior to enforcing its rights under this Security Agreement. No delay or omission by Secured Party in the exercise of any right or power or in the pursuance of any remedy accruing upon any Event of Default shall impair any such right, power or remedy or be construed to be a waiver of any such Event of Default or to be an acquiescence therein; nor shall the acceptance by Secured Party of any security or of any payment of or on account of the Obligations maturing after any Event of Default or of any payment on account of any past default be construed to be a waiver of any right to exercise any remedies due to any future Event of Default or of any past Event of Default not completely cured thereby. No consent, waiver or approval of Secured Party shall be deemed to be effective unless in writing and duly signed by Secured Party; any waiver by Secured Party of any of the terms of this Security Agreement or any consent given under this Security Agreement shall only be effective for the purpose and on the terms which it is given and shall be without prejudice to the right to give or withhold consent in relation to future matters (which are either the same or different).

Section 7.05 Discontinuance of Proceedings.

In case Secured Party shall have proceeded to enforce any right, power or remedy under this Security Agreement by foreclosure, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to Secured Party, then and in every such case Borrower and Secured Party shall be restored to their former positions and rights hereunder with respect to the property subject or intended to be subject to this Security Agreement, and all rights, remedies and powers of Secured Party shall continue as if no such proceedings had been taken.

ARTICLE VIII - MISCELLANEOUS

Section 8.01 Further Documents.

Borrower agrees that at anytime and from time to time, upon the written request of Secured Party, Borrower will promptly and duly execute and deliver any and all such further instruments and documents as Secured Party may deem desirable in obtaining the full benefits of this Security Agreement and of the rights and powers herein granted.

Section 8.02 Notices.

All notices or other communications which are required to be made hereunder shall be made as provided in the Loan Agreement.

Section 8.03 Choice of Law.

This Security Agreement shall be governed by, and construed in accordance with, the laws of the State in which the office of Secured Party set forth in subsection 10.11 of the Loan Agreement is located.

Section 8.04 Severability of Provisions.

Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction. To the extent permitted by applicable law, Borrower hereby waives any provision of law that renders any provision hereof prohibited or unenforceable in any respect.

Section 8.05 Amendment.

Neither this Agreement nor any provision hereof, including without limitation this Section 8.05, may be amended, modified, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against which enforcement of the amendment, modification, waiver, discharge or termination is sought.

Section 8.06 Counterparts.

This Agreement may be executed in two or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute but one instrument.

Section 8.07 Section Headings.

The heading of the various Sections and subsections of this Agreement are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

Section 8.08 Binding Effect.

This Security Agreement shall be binding upon and inure to the benefit of Borrower and Secured Party and their respective successors and assigns.

Section 8.09 Release and Termination.

At the sole expense of Borrower, Secured Party shall promptly release the lien and security interest created pursuant to this Security Agreement by proper instrument or instruments upon payment in full, or other satisfaction of, all the obligations of Borrower whereupon this Security Agreement shall terminate.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date noted above.

TUBE CITY, INC.

By _____
Its Chairman and CEO

HELLER FINANCIAL, INC., as Agent

By _____
Its Vice President

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

The foregoing Security Agreement was acknowledged before me this 17th day of August, 1999, by J. Michael Losby, the Chairman and CEO of Tube City, Inc, a Delaware corporation, on behalf of said corporation.

OFFICIAL SEAL
NANCY WEGRZYN
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES:03/31/00

Nancy Wegrzyn
Notary Public

My commission expires:

March 31, 2000

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

The foregoing Security Agreement was acknowledged before me this 17th day of August, 1999, by Elizabeth Caramopulos, the Vice President of Heller Financial, Inc., a Delaware corporation, on behalf of said corporation.

Nancy Wegrzyn
Notary Public

OFFICIAL SEAL
NANCY WEGRZYN
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES:03/31/00

My commission expires:

March 31, 2000

Security Agreement,
dated as of August 17, 1999,
between
Tube City, Inc., a Delaware corporation, as Borrower
and
Heller Financial, Inc., a Delaware corporation,
as Agent under the Loan and Security Agreement, as Secured Party

Schedule 1

Description of Railcar Equipment

Locomotives:

Model No.	Serial No.
EMD SW1	8531
EMD SW2 1200HP	E-6019-7
EMD DE	81C61
EMD D004116	51L13
GE 600HP	2N-1705-40
GEB80-80	B80802GF763
EMD D007550	57K9
GE	GF763
SW900	54U166
SW900	4301-8
SW900	4253-2
SW1200	25449
GE	15665